

# The Balkan economies c. 1800–1914

*Evolution without development*

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## *Part I*

# The Balkan economies during the Ottoman period to 1878

The Balkan countries were not drawn into the main stream of European economic development before 1914. It is nevertheless common currency that even this most retarded of European regions was slowly modernizing, and that from the end of the nineteenth century, the hitherto infinitesimal tempo of change was speeding up, and resulting in slow, faltering, but still significant economic growth.<sup>1</sup> This book takes a different view. The Balkan economies were subject to a distinct evolutionary dynamic which was not intrinsically developmental, but this dynamic was overlaid in the different territories studied by changing institutional arrangements which temporarily caused performance to deviate from a long-run declining trend. The book is divided chronologically into two parts, the first covering the period from the 1790s to 1878, when most of the Balkan area except Serbia remained subject to Ottoman rule and institutions. Part II deals with the period 1878–1914, when Bulgaria and Bosnia had been prised from Ottoman rule. Emphasis shifts to examining the changes which took place under new institutional arrangements: in Bulgaria, like Serbia and Montenegro, under those of self-rule, in Bosnia as a dependency of Austria-Hungary.

In the period before 1878, it will be argued, Ottoman institutions, in particular agrarian arrangements, engrained themselves deeply into the organization of economic life. The institutions themselves were undergoing radical changes which had a profound effect on economic life and on its evolution, especially in Bulgaria.

In an overwhelmingly agrarian economy, changes in the density of settlement were bound to have far-reaching effects on economic change, so Chapter 1 identifies population trends and the distribution of population between urban and rural communities. For simplicity its content covers the entire period to 1914.

<sup>1</sup> The consensus is well defined in R. Preshlenova, 'Austro-Hungarian Trade and the Economic Development of Southeastern Europe before World War I', in *Economic Transformations in East and Central Europe*, ed. David F. Good (London, 1994), p. 232.

Chapter 2 examines the institutional evolution of Ottoman Europe, and the economic responses elicited in Bulgaria and southern Macedonia. Chapter 3 looks in greater depth at the outcome both for agriculture and manufacturing in Bulgaria. The evidence produced will indicate that the responses to improving opportunities were sufficiently strong and sustained for Bulgaria to become the most productive and dynamic of all the Ottoman territories.

This contrasts with the experience of Serbia, liberated since 1815 from Ottoman rule. Serbia (Chapter 4) became a country of universal peasant landownership and low taxation, a combination which resulted in an economy dominated by subsistence farming. So far from providing the basis for the free formation of capitalist mechanisms, Serbia, it will be shown, retrogressed economically, and chapter 4 explores why this retrogression occurred.

Pre-1878 economic trends in the dinaric zone, in Ottoman Bosnia and the then tiny Montenegrin state, form the subject of Chapter 5. Institutional arrangements in Bosnia differed from those in Bulgaria, as did the outcomes. The chapter attempts to analyse why this was so, and uses the sketchy evidence available for the period on Montenegro to bring out some characteristics of dinaric economic life which both (uneasily) shared.

Economic performance is ultimately determined by entrepreneurial response to changes in externalities. Chapter 6 explores economic aspects of the Bulgarian 'renaissance' of the mid nineteenth century, and contrasts the diffusion of an indigeneous Bulgarian enterprise culture with the near-absence of any equivalent culture in Bosnia or Serbia.

The Balkan economic experience in the period before 1878 provides the clues needed to understand performance between 1878–1914, as covered in Part 2. In particular it shows why it would be misleading to view the earlier period in Ottoman Europe as a phase of feudal stagnation. Rather, it will be argued, the removal of Ottoman rule led to deepening economic retardation, except in Bosnia, where a rather inefficient tyranny was exchanged for a more efficient one.

Of course, the Balkan countries were much more sophisticated institutionally in 1914 than they had been in the 1860s, but they were probably, with the exception of Bosnia, poorer and less productive. It is not argued that the institutions created by the new Balkan states were directly responsible for economic decline, but it is argued that those pertaining in the Ottoman lands before 1878 had provided a more effective offset.